

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2013

Docket No. ACR2013

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued January 13, 2014)

To clarify the basis of the Postal Service's estimates in its FY 2013 Annual Compliance Report (ACR), filed December 27, 2013, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than January 23, 2014.

Standard Mail

1. As required by the FY 2010 Annual Compliance Determination (at 107), please provide the following information regarding the Standard Mail Flats product.
 - a. Describe all operational changes designed to reduce flat costs in FY 2013 and estimate the financial effects of such changes.
 - b. Describe all costing methodology or measurement improvements made in FY 2013 and estimate the financial effects of such changes.
 - c. Provide a statement summarizing the historical and current fiscal year subsidy of the Standard Mail Flats product, and the estimated timeline for phasing out this subsidy.

Competitive Domestic NSAs

2. In FY 2013, there were 34 First-Class Package Service (FCPS) NSA products in effect. However, Library Reference USPS-FY13-NP27 provides financial data for only one of these FCPS NSA products. Please provide revenue, volume, weight, and attributable costs data for the 33 FCPS NSA products listed below:

	MC Docket	CP Docket	Contract
1	MC2012-18	CP2012-24	FCPS Contract 2
2	MC2012-19	CP2012-25	FCPS Contract 3
3	MC2012-20	CP2012-26	FCPS Contract 4
4	MC2012-21	CP2012-27	FCPS Contract 5
5	MC2012-22	CP2012-28	FCPS Contract 6
6	MC2012-23	CP2012-29	FCPS Contract 7
7	MC2012-27	CP2012-36	FCPS Contract 8
8	MC2012-28	CP2012-37	FCPS Contract 9
9	MC2012-35	CP2012-43	FCPS Contract 10
10	MC2012-40	CP2012-48	FCPS Contract 11
11	MC2012-41	CP2012-49	FCPS Contract 12
12	MC2012-42	CP2012-50	FCPS Contract 13
13	MC2012-43	CP2012-51	FCPS Contract 14
14	MC2012-45	CP2012-53	FCPS Contract 15
15	MC2012-49	CP2012-61	FCPS Contract 16
16	MC2012-50	CP2012-62	FCPS Contract 17
17	MC2012-51	CP2012-63	FCPS Contract 18
18	MC2012-52	CP2012-64	FCPS Contract 19
19	MC2012-53	CP2012-65	FCPS Contract 20
20	MC2013-8	CP2013-8	FCPS Contract 21
21	MC2013-9	CP2013-9	FCPS Contract 22
22	MC2013-10	CP2013-10	FCPS Contract 23
23	MC2013-11	CP2013-11	FCPS Contract 24
24	MC2013-12	CP2013-12	FCPS Contract 25
25	MC2013-15	CP2013-14	FCPS Contract 26
26	MC2013-17	CP2013-16	FCPS Contract 27
27	MC2013-18	CP2013-17	FCPS Contract 28
28	MC2013-19	CP2013-18	FCPS Contract 29
29	MC2013-20	CP2013-19	FCPS Contract 30
30	MC2013-21	CP2013-29	FCPS Contract 31
31	MC2013-22	CP2013-30	FCPS Contract 32
32	MC2013-23	CP2013-31	FCPS Contract 33
33	MC2013-24	CP2013-32	FCPS Contract 34

Competitive Domestic Products

3. The unit attributable costs for Parcel Select (non-NSA) increased significantly from FY 2012 to FY 2013. Please explain the reason for this increase.
4. The unit attributable transportation costs (Cost Segment 14) for Parcel Select (non-NSA) increased significantly from FY 2012 to FY 2013. Please explain the reason for this increase.

5. Please provide the FY 2013 attributable costs for Lightweight Parcel Select subcategory of Parcel Select (non-NSA) by cost segment.

Service Performance

6. Please confirm that the latest version of the plant closings and consolidations worksheet is provided at <https://ribbs.usps.gov/importantupdates/NRWinter2013.xls>.
 - a) If confirmed, please indicate how often the file is updated.
 - b) If not confirmed, please provide the latest updated version and indicate how often the file is updated.
7. Please provide FY 2011, FY 2012, and FY 2013 quarterly IMb data aggregated at the district level showing mail volumes and measured pieces for each market dominant product, except Special Services.
8. According to a response to CHIR No. 5, question 29 from the FY 2012 ACR, the “Postal Service and external measurement contractors consider both the geographic coverage as well as the volume coverage” to assess reliability of service performance results. Please provide a detailed description of the parameters used by the Postal Service and external contractors to determine the reliability of IMb data.
9. In reference to the attached worksheet, CHIR #2 Question 5.xlsx, please confirm the attached list of 3-Digit ZIP Codes and corresponding state/regions is correct. If not, please provide updated information in a separate worksheet.

10. Please provide in Excel format, the service standard for each market dominant product (excluding Special Services) for each origination and destination 3-Digit ZIP Code pair in effect on:
- a. the first day of FY 2013, and
 - b. the last day of FY 2013.

Workshare Discounts

11. The Postal Service claims that no statutory exception applies to the following workshare discounts with passthroughs that exceed 100 percent:
- First-Class Mail
 - Qualified Business Reply Mail (QBRM) Letters
 - QBRM Cards
 - Automation Mixed AADC Letters
 - Automation ADC Flats
 - Automation 3-Digit Flats
 - Standard Mail
 - Nonautomation ADC Nonmachinable Letters
 - Automation 3-Digit Flats
 - Automation 5-Digit Flats (commercial and nonprofit)
 - Nonautomation 3-Digit Flats (commercial and nonprofit)
 - Package Services
 - BPM Flats DNDC Dropship
 - BPM Parcels DNDC Dropship
- a. Please confirm that the Postal Service plans to align each of these discounts with avoided costs at the time of the next rate adjustment of

general applicability. If not confirmed, please provide a specific timeline for aligning each of these discounts with avoided costs.

- b. The Postal Service claims that it would be “inefficient and unduly disruptive to the Postal Service and its customers to immediately adjust prices to correct passthroughs that exceed 100 percent.” FY 2012 ACR at 9. Please explain (i) what inefficiencies would exist and what disruptions would occur if passthroughs were immediately aligned with avoided costs; and (ii) why it is more efficient to have CY 2014 workshare discounts that are based on FY 2012 costs, rather than FY 2013 costs.
- c. Please confirm that each of these discounts could be aligned with avoided costs immediately even though the Postal Service believes doing so would be inefficient and unduly disruptive to itself and its customers. FY 2013 ACR at 9. If not confirmed, please explain why the rate shock exception does not apply. See 39 U.S.C. 3622(e)(2)(B). If the rate shock exception does apply, or another exception applies, please provide supporting information for that exception pursuant to 39 C.F.R. 3050.21(e)(4).

By the Chairman.

Ruth Y. Goldway